

SENATE BILL REPORT

SHB 1257

As Reported By Senate Committee On:
Financial Institutions, Housing & Consumer Protection, February 21, 2006

Title: An act relating to motorcycle or motor-driven cycle insurance coverage.

Brief Description: Providing an opportunity to reject motorcycle or motor-driven cycle insurance coverage.

Sponsors: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Roach, Kirby, Newhouse, Simpson, Holmquist, Haler, Upthegrove, O'Brien and Nixon).

Brief History: Passed House: 1/27/06, 98-0.

Committee Activity: Financial Institutions, Housing & Consumer Protection: 2/15/06, 2/21/06 [DPA].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

Majority Report: Do pass as amended.

Signed by Senators Fairley, Chair; Berkey, Vice Chair; Benton, Ranking Minority Member; Benson, Brandland, Finkbeiner, Franklin, Keiser and Spanel.

Staff: Jennifer Arnold (786-7471)

Background: An "underinsured motor vehicle" is defined as a vehicle in which the party legally responsible (by virtue of ownership, maintenance, or use) for the bodily injury or property damage has either no insurance coverage or insufficient coverage to cover the full amount of the damage costs to which the injured party is legally entitled.

In general, there is a statutory requirement to obtain insurance for bodily injury, death, or property damage caused by underinsured motor vehicles, hit-and-run vehicles, and phantom vehicles. This insurance must be obtained at the time a new policy is purchased, as well as when that policy is renewed, unless the insured opts in writing to not accept underinsured insurance upon the initial purchase of the policy.

The requirement that underinsured insurance must be rejected in writing is not applicable in three primary instances: (1) policies for motorcycles or motor-driven cycles, (2) umbrella policies, or (3) any other policies that serve solely as excess to the policy covering the insured vehicle.

In 2004, an additional requirement relating to underinsured insurance was created. The new requirement provides that any insurer, who chooses to provide motorcycle or motor-driven cycle insurance in Washington, must provide coverage information on such insurance to prospective insureds.

Summary of Amended Bill: In addition to providing coverage information, an insurer that elects to write motorcycle or motor-driven insurance must also provide an opportunity for insureds, who have purchased liability coverage for their motorcycle or motor-driven cycle, to reject underinsured motorist coverage for the motorcycle or motor-driven cycle in writing.

Amended Bill Compared to Original Bill: The amended bill clarifies that the requirement for insurers to provide an opportunity for insureds to reject the insurance in writing only applies to insureds, who have purchased liability coverage for a motorcycle or motor-driven cycle, not all "prospective insureds."

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Motorcyclists are just looking for parity with the rest of the automotive public. If an insurer carries a product, such as underinsured insurance, it should also be offered to motorcyclists. This would not affect the record-keeping of insurers; adding a check box for motorcyclists, who are only one-tenth of the private driving community, would not be burdensome. This protects consumers by providing them with the same notifications that other drivers receive on the availability of underinsured insurance. This bill in no way mandates that insurers provide coverage to motorcyclists, only that they treat motorcyclists the same as other drivers.

Testimony Against: There is not a need for this bill. The entire area of law on underinsured motorist coverage is very confusing. Rather than confuse the matter even further with this legislation, the statutes should be reviewed comprehensively over the interim to develop solutions. Further, this bill would put a burden on insurers by requiring them to determine whether someone may own a motorbike or not, by virtue of the fact that it applies to "prospective" insureds.

Who Testified: PRO: Larry Walker, Washington Road Riders Association.

CON: Jean Leonard, State Farm, Washington Insurers.